ACE Aviation Holdings Inc.

News Release

ACE AVIATION HOLDINGS INC. REPORTS SECOND QUARTER NET INCOME OF $168 MILLION

OVERVIEW

- Net income of $168 million (including non-recurring items).
- Operating income of $177 million.
- An increase of $155 million in operating income versus the second quarter of 2004, despite fuel expense increasing $156 million or 42 per cent.
- Adjusted income of $116 million, excluding non-recurring items and before foreign exchange on non-compromised monetary items and income taxes(1).
- Operating revenues up $237 million or 11 per cent reflecting a significant increase in passenger revenues.
- Excluding fuel expense, unit cost reduced 8 per cent (including fuel expense, unit cost essentially unchanged).
- System passenger load factor up 2.4 percentage points to 80.2 per cent, a record for the second quarter.
- Positive cash flow from operations of $339 million in the quarter, an increase of $225 million versus the second quarter of 2004.
- As at August 2, 2005, ACE's consolidated cash balances, measured on the basis of cash in its bank accounts, and short-term investments amounted to approximately $2.5 billion.

MONTRÉAL, August 4, 2005 – ACE Aviation Holdings Inc. (ACE) reported today operating income of $177 million for the second quarter of 2005, an increase of $155 million from the operating income before reorganization and restructuring items of $22 million recorded in the second quarter of 2004. EBITDAR(1) of $394 million was achieved in the second quarter of 2005, an improvement of $99 million over the 2004 quarter. Operating revenues were up $237 million or 11 per cent reflecting a significant increase in passenger revenues. Passenger traffic, as measured by revenue passenger miles (RPMs), increased 7 per cent on a capacity increase of 4 per cent, as measured by available seat miles (ASMs), resulting in a passenger load factor improvement of 2.4 percentage points. On the same basis of presentation, passenger revenue per available seat mile (RASM) was up 6 per cent reflecting the significant improvement in the passenger load factor combined with the 3 per cent improvement in passenger yield, as measured by passenger revenue per revenue passenger mile.

Operating expenses increased $82 million or 4 per cent over the second quarter of 2004. The fuel expense increase of $156 million or 42 per cent more than offset the continued cost reductions achieved in other expense categories. Excluding fuel expense, unit cost was reduced by 8 per cent from the second quarter of 2004. Including fuel expense, unit cost was essentially unchanged from the second quarter of 2004.

Net income for the second quarter of 2005 was $168 million. This compared to a net loss of $510 million which included reorganization and restructuring items of $426 million recorded in the second quarter of 2004. Included in the 2005 second quarter net income of $168 million are the following non-recurring items: a dilution gain of $190 million and a tax provision of $28 million related to the Aeroplan transaction and charges of $29 million related to the extinguishment of the credit facility with General Electric Capital Corporation (GE). Excluding these non-recurring items, adjusted income before foreign exchange on non-compromised monetary items and income taxes(1) would have been $116 million.

“I am pleased to report a significant improvement in operating results for the Corporation”, said Robert Milton, Chairman, President and CEO of ACE Aviation Holdings Inc. “Following the significant milestones achieved in the implementation of ACE’s business plan throughout the quarter, these operating results further confirm the potential of ACE going forward. Our revenue performance, in terms of both traffic and yield, was strong and gained momentum throughout the quarter. This reflects our ability to better match capacity to demand as well as increasing customer response to Air Canada’s product offering. Furthermore, our unit costs have remained essentially unchanged from the second quarter of 2004, despite a 42 per cent increase in fuel costs. With $2.1 billion in new equity and equity-linked capital raised since September 2004, ACE now has one of the strongest balance sheets in the industry and our debt is mostly aircraft-related. All in all, this is a clear indication that the restructuring efforts of Air Canada employees and other stakeholders are paying off.

“Looking forward, the revenue picture is expected to continue to strengthen as we increase capacity in North America with new large regional aircraft deliveries. The increasing yields and record traffic we achieved throughout the quarter reflect a healthier market environment in Canada and ever-growing consumer response to the Air Canada product. With the ongoing deliveries of Embraer 175 and Bombardier 705 aircraft, we are now able to respond to market opportunities and improve our schedule with additional flights on high-demand routes and non-stop service on new routes. We expect this strong revenue picture to continue into the last six months of the year.

“In addition, the performance of the other operating segments within ACE continue to track well against plan as Aeroplan, ACTS and Jazz are not directly exposed to fuel price fluctuations. These results provide a further endorsement of the Corporation’s strategy of diversifying its operating results. The Corporation also continues to build an industry-leading balance sheet and enjoys strong cash flow performance. One area of concern, however, for our transportation services segment is the sustained high price for oil. As we have discussed before, a US$1 per barrel increase in the price of WTI has an approximate $28 million impact on our fuel expenses all things being equal. We have been able to mitigate approximately one third of this fuel expense growth through fuel surcharges. Given strengthening yields, we expect this percentage to increase going forward. As of June 30, 2005, we slightly exceeded our internal expectations for EBITDAR, as a result of particularly strong results in both traffic and RASM, despite fuel costs being $133 million over plan. We remain confident that, barring any further unforeseen events, our financial performance for the full year will be amongst the strongest in the industry.

“In order to minimize our exposure to the volatility of fuel prices going forward, the Corporation has decided to implement, effective immediately, a systematic fuel risk management strategy using financial instruments to build up our hedge position in increments of approximately 4% per month to a target level of approximately 50 % of our future fuel requirement over a 24-month period.”

The Corporation also announced the appointment of Mr. Richard M. McCoy of Toronto to the ACE Board of Directors. Mr. McCoy replaces the Honourable Frank McKenna who left the Board in March 2005 upon his appointment as Canada’s Ambassador to the United States. Prior to his retirement Mr. McCoy was Vice Chairman, Investment Banking at TD Securities Inc. He was active in the securities industry for 35 years. Prior to joining TD Securities in 1997, Mr. McCoy was Deputy Chairman of CIBC Wood Gundy. Mr. McCoy is director of several Canadian companies and is a past Chairman of the Shaw Festival Foundation.

“I want to welcome Dick McCoy to the ACE Board of Directors,” said Mr. Milton. “Dick is a well-known business leader and his contributions to our Board will be welcome as we continue to aggressively implement our strategy of maximizing the value of ACE’s business units.”

Highlights of ACE achievements during the quarter

ACE recorded significant progress towards the implementation of its business plan in the quarter.

ACE Equity and Convertible Notes Offerings

In April, ACE completed one of the most sizeable equity raises in the airline industry’s history. The Corporation raised approximately $792 million in gross proceeds following the successful completion of its offerings of Class A Variable Voting Shares and Class B Voting Shares and Convertible Senior Notes due 2035. Approximately $557 million of the aggregate net cash proceeds of the offerings was used to repay all of the Corporation’s outstanding debt under the exit credit facility with General Electric Capital Corporation. The balance will be used for general corporate purposes. In addition, Air Canada, ACE Aviation's principal subsidiary, entered into a two-year senior secured revolving credit facility in an aggregate amount of $300 million with a syndicate of lenders. As at June 30, 2005, no amounts have been drawn against this credit facility.

US Airways/America West Planned Investment

Pursuant to an investment agreement announced in May between ACE and the merged US Airways/America West carrier, subject to certain conditions, ACE will invest US$75 million in the merged carrier. This investment will represent approximately 7% of the merged entity at closing, depending on the total amount of new equity capital raised. In addition, the agreement provides for five-year commercial agreements with the newly-merged entity regarding maintenance services, ground handling, regional jet flying, network, training and other areas of cooperation. The benefits expected to be derived by Air Canada Technical Services (ACTS) alone are significant. It is estimated that as a result of the maintenance agreement with the newly-merged entity, ACTS will become one of the top three aircraft MRO providers worldwide in terms of sales with anticipated revenues in excess of $1 billion per annum by 2006, with more than half being earned from customers other than Air Canada. This investment is consistent with ACE’s strategic plan to grow its business units with an emphasis on third-party revenues. The investment agreement is subject, among other closing conditions, to bankruptcy court approval and the closing of the US Airways/America West merger, including receipt of applicable regulatory approvals.

Aeroplan Income Fund
In June, ACE and Aeroplan Income Fund (the Fund) successfully completed the first-ever monetization of an airline frequent flyer loyalty program with an initial public offering (IPO) of the Fund, which represented a $2 billion equity valuation for Aeroplan. The IPO constituted a 14.4% divesture of Aeroplan with ACE holding the balance 85.6% interest in Aeroplan LP. The aggregate gross proceeds from the IPO (including the full exercise of the underwriters' over-allotment options) totaled $287.5 million. In connection with the offering, Aeroplan LP established $475 million in senior secured syndicated credit facilities, of which $318 million was drawn on June 29, 2005.

Fleet Update
Air Canada began taking delivery of the first of 15 state-of-the-art Embraer 175 aircraft in July 2005. The Embraer 175 is configured in two classes of service with nine seats in Executive Class with three abreast seating offering 38 inches of legroom, and 64 seats in Hospitality with four abreast seating offering 32 inches of legroom. In November 2005, Air Canada will begin taking delivery of 45 Embraer 190 aircraft configured in two classes of service with 9 seats in Executive Class with three abreast seating offering 38 inches of legroom, and 84 seats in Hospitality with four abreast seating offering 33 inches of legroom and featuring spacious overhead bins. The new Embraer aircraft will be deployed throughout Air Canada's North America network.

Meanwhile, Air Canada Jazz took delivery of its first 75-seat CRJ-705 aircraft earlier in May with a total of 15 to be introduced into service by December 2005. The new CRJ-705 aircraft features Executive Class service and leading levels of comfort including 37 inches of legroom in Executive Class and an industry leading 34 inches of legroom in Hospitality Class. Both the Embraer 175 and the Bombardier 705 will have in-seat audio and video on demand in both cabins installed beginning in the fall 2005.

Jazz Air Limited Partnership
To maximize the value of its business units for the benefit of its shareholders, ACE intends to proceed with an initial public offering of Jazz Air Limited Partnership through an income trust structure. A preliminary prospectus in respect of the offering is expected to be filed in the third quarter and ACE will retain a majority interest in Jazz.

ACE's Interim Unaudited Second Quarter 2005 Consolidated Financial Statements and Management's Discussion and Analysis (MD&A) are available on ACE's and Air Canada's website www.aircanada.com and at SEDAR.com on August 4, 2005. A copy may also be obtained on request by contacting ACE's Shareholder Relations at (514) 205-7856.

(1) <u>NON-GAAP MEASURES</u>

Adjusted income before foreign exchange on non-compromised monetary items and income taxes is not a recognized measure for financial statement presentation under Generally Accepted Accounting Principles (GAAP). Non-GAAP earnings measures do not have a standardized meaning and are not likely to be comparable to similar measures presented by other public companies. Readers should consider the adjusted income before foreign exchange on non-compromised monetary items and income taxes in the context of the Corporation's GAAP results. Adjusted income before foreign exchange on non-compromised monetary items and income taxes is reconciled to income before foreign exchange on non-compromised monetary items and income taxes as follows:

($ millions)

GAAP Income before foreign exchange on non-compromised monetary items and income taxes	$277
Remove dilution gain related to Aeroplan transaction	($190)
Add back charges related to the extinguishment of the GE Credit Facility	$29
Adjusted income before foreign exchange on non-compromised monetary items and income taxes	$116

EBITDAR is a non-GAAP financial measure commonly used in the airline industry to assess earnings before interest, taxes, depreciation and aircraft rent. EBITDAR is used to view operating results before aircraft rent and ownership costs as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and asset acquisitions. EBITDAR is not a recognized measure for financial statement presentation under GAAP and does not have a standardized meaning and is therefore not comparable to similar measures presented by other public companies. Readers should refer to the attached Consolidated Highlights or ACE's Second Quarter 2005 Management's Discussion and Analysis for a reconciliation of EBITDAR before reorganization and restructuring items to operating income (loss) before reorganization and restructuring items.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

ACE's communications often contain written or oral forward-looking statements which are included in the MD&A and may be included in filings with securities regulators in Canada and the United States. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. All such statements are made pursuant to the "safe harbour" provisions of the governing US securities legislation. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, restructuring, energy prices, general industry, market and economic conditions, war, terrorist attacks, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, employee relations, labour negotiations and disputes, pension issues, currency exchange and interest rates, changes in laws, adverse regulatory developments or proceedings, pending litigation and actions by third parties. The forward-looking statements contained in this discussion represent ACE's expectations as of August 4, 2005, and are subject to change after such date. However, ACE disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Contacts:	Isabelle Arthur (Montréal)	(514) 422-5788
	Laura Cooke (Toronto)	(416) 263-5576
	Angela Mah (Vancouver)	(604) 270-5741

Internet: aircanada.com

ACE Aviation Holdings Inc.
Consolidated

HIGHLIGHTS (1)

	Periods ended June 30					
	Three months			Six months		
	Successor Company - ACE	Predecessor Company - Air Canada		**Successor Company - ACE**	Predecessor Company - Air Canada	
	2005	2004		**2005**	2004	
Financial (CDN dollars in millions except per share figures)						
Operating revenues	**2,458**	2,221		**4,635**	4,342	
Operating income (loss) before reorganization and restructuring items	**177**	22		**167**	(123)	
Reorganization and restructuring items	**-**	(426)		**-**	(558)	
Non-operating income (expense)	**100**	(72)		**34**	(115)	
Income (loss) before foreign exchange on non-compromised long-term monetary items and income taxes	**277**	(476)		**201**	(796)	
Income (loss) for the period	**168**	(510)		**91**	(814)	
Operating margin before reorganization and restructuring items	**7.2%**	1.0%		**3.6%**	(2.8)%	
EBITDAR before reorganization and restructuring items (2)	**394**	295		**594**	439	
EBITDAR margin before reorganization and restructuring items	**16.0%**	13.3%		**12.8%**	10.1%	
Cash, cash equivalents and short-term investments	**2,782**	850		**2,782**	850	
Cash flows from (used for) operations	**339**	114		**653**	177	
Weighted average common shares used for computation - basic	**101**	120		**95**	120	
Weighted average common shares used for computation - diluted	**118**	120		**106**	120	
Earnings (loss) per share - basic	**$ 1.67**	$ (4.24)		**$ 0.96**	$ (6.77)	
Earnings (loss) per share - diluted	**$ 1.49**	$ (4.24)		**$ 0.92**	$ (6.77)	
Operating Statistics			% Change			% Change
Revenue passenger miles (millions) (RPM)	**11,613**	10,836	7	**22,199**	20,893	6
Available seat miles (millions) (ASM)	**14,487**	13,931	4	**28,053**	27,729	1
Passenger load factor	**80.2%**	77.8%	2.4 pts	**79.1%**	75.3%	3.8 pts
Passenger revenue yield per RPM (excluding Aeroplan) (cents) (3)	**17.4**	17.0	3	**16.7**	16.7	0
Passenger revenue yield per RPM (including Aeroplan) (cents) (3)	**18.1**	17.0	6	**17.3**	16.7	3
Passenger revenue per ASM (excluding Aeroplan) (cents) (3)	**14.0**	13.2	6	**13.2**	12.6	5
Passenger revenue per ASM (including Aeroplan) (cents) (3)	**14.5**	13.2	10	**13.7**	12.6	8
Operating revenue per available seat mile (cents)	**17.0**	15.9	6	**16.5**	15.7	6
Operating expense per available seat mile (cents)	**15.7**	15.8	0	**15.9**	16.1	(1)
Operating expense per available seat mile, excluding fuel expense	**12.1**	13.1	(8)	**12.6**	13.5	(7)
Average number of full-time equivalent (FTE) employees (thousands)	**32.4**	32.8	(1)	**32.0**	32.9	(3)
Available seat miles per FTE employee (thousands)	**448**	424	5	**877**	843	4
Operating revenue per FTE employee (thousands)	**$76**	$68	12	**$145**	$132	10
Aircraft in operating fleet at period end	**295**	303	(3)	**295**	303	(3)
Average aircraft utilization (hours per day) (4)(5)	**10.6**	10.1	5	**10.5**	10.2	3
Average aircraft flight length (miles)(5)	**857**	828	4	**860**	825	4
Fuel price per litre (cents) (6)	**59.6**	43.6	37	**54.6**	41.6	31
Fuel litres (millions)	**884**	851	4	**1,721**	1,698	1

(1) References to "Successor Company" refer to ACE and its susidiaries' results for the three months and six months ended June 30, 2005.
References to "Predecessor Company" refer to Air Canada and its subsidiaries' results for the three months and six months ended June 30, 2004.
Refer to Note 1 of Interim Unaudited Second Quarter 2005 Consolidated Financial Statements for more information.

(2) EBITDAR (earnings before interest, taxes, depreciation, amortization and obsolescence and aircraft rent) is a non-GAAP financial measure commonly used in the airline industry to view operating results before aircraft rent and ownership costs as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and asset acquisitions.
EBITDAR is not a recognized measure for financial statement presentation under GAAP and does not have a standardized meaning and is therefore not likely to be comparable to similar measures presented by other public companies.

EBITDAR before reorganization and restructuring items is reconciled to operating income (loss) before reorganization and restructuring items as follows:

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
	($ millions)		($ millions)	
Operating income (loss) before reorganization and restructuring items	177	22	167	(123)
Add back:				
Aircraft rent	98	170	188	364
Depreciation, amortization & obsolescence	119	103	239	198
EBITDAR before reorganization and restructuring items	394	295	594	439

(3) Beginning in October 2004, Aeroplan redemption revenues related to points redeemed for air travel on Air Canada and Jazz are reflected in passenger revenues.
Prior to October 2004, these revenues were recorded in other revenues. Refer to page 7 of the MD&A for more information.
(4) Excludes maintenance down-time.
(5) Excludes third party carriers operating under capacity purchase arrangements.
(6) Includes all fuel handling expense.

ACE Aviation Holdings Inc.
Mainline-related (1)

HIGHLIGHTS (2)

	Periods ended June 30					
	Three months			Six months		
	Successor Company - ACE	Predecessor Company - Air Canada		**Successor Company - ACE**	Predecessor Company - Air Canada	
	2005	2004		**2005**	2004	
Operating Statistics			% Change			% Change
Revenue passenger miles (millions) (RPM)	**11,033**	10,382	6	**21,149**	20,031	6
Available seat miles (millions) (ASM)	**13,686**	13,215	4	**26,576**	26,311	1
Passenger load factor	**80.6%**	78.6%	2.0 pts	**79.6%**	76.1%	3.5 pts
Passenger revenue yield per RPM (excluding Aeroplan) (cents) (3)	**15.9**	15.6	2	**15.3**	15.4	0
Passenger revenue yield per RPM (including Aeroplan) (cents) (3)	**16.6**	15.6	6	**15.9**	15.4	4
Passenger revenue per ASM (excluding Aeroplan) (cents) (3)	**12.9**	12.2	5	**12.2**	11.7	4
Passenger revenue per ASM (including Aeroplan) (cents) (3)	**13.4**	12.2	9	**12.7**	11.7	8
Operating revenue per available seat mile (cents)	**15.9**	14.8	7	**15.1**	14.3	6
Operating expense per available seat mile (cents)	**14.7**	14.6	0	**14.6**	14.7	(1)
Operating expense per available seat mile, excluding fuel expense	**11.1**	12.0	(8)	**11.3**	12.2	(8)
Average number of full-time equivalent (FTE) employees (thousands)	**28.4**	29.0	(2)	**28.1**	29.1	(3)
Available seat miles per FTE employee (thousands)	**481**	455	6	**945**	905	4
Operating revenue per FTE employee (thousands)	**$76**	$67	13	**$143**	$130	11
Aircraft in operating fleet at period end	**198**	212	(7)	**198**	212	(7)
Average aircraft utilization (hours per day) (4)(5)	**11.6**	10.7	8	**11.5**	10.9	6
Average aircraft flight length (miles)(5)	**1,332**	1,291	3	**1,319**	1,269	4
Fuel price per litre (cents) (6)	**59.3**	43.3	37	**54.3**	41.4	31
Fuel litres (millions)	**826**	794	4	**1,611**	1,584	2

(1) Includes the operations of Air Canada, Aeroplan, Air Canada Technical Services, ACGHS, AC Cargo, Air Canada Capital, Destina, AC Online and SIMCO.
Exclude Jazz operations, capacity purchase arrangements with third party carriers, Air Canada Vacations and other non-airline subsidiaries of ACE.
(2) References to "Successor Company" refer to ACE and its susidiaries' results for the three months and six months ended June 30, 2005.
References to "Predecessor Company" refer to Air Canada and its subsidiaries' results for the three months and six months ended June 30, 2004.
Refer to Note 1 of Interim Unaudited Second Quarter 2005 Consolidated Financial Statements for more information.
(3) Beginning in October 2004, Aeroplan redemption revenues related to points redeemed for air travel on Air Canada and Jazz are reflected in passenger revenues.
Prior to October 2004, these revenues were recorded in other revenues. Refer to page 7 of the MD&A for more information.
(4) Excludes maintenance down-time.
(5) Excludes third party carriers operating under capacity purchase arrangements.
(6) Includes all fuel handling expense.